

GUIDANCE FOR DEVELOPING PROPOSALS FOR MCA ASSISTANCE IN FY 2004

Following the May 2004 announcement of countries eligible to receive Millennium Challenge Account (MCA) assistance in FY 2004, the Millennium Challenge Corporation (MCC) Board of Directors will invite eligible countries to submit proposals requesting funding from MCC. The following guidance is intended to help eligible countries develop their proposals.

Philosophy of the Millennium Challenge Account

The MCA is a partnership built on several key principles – including a focus on sustainable growth, country ownership, inclusiveness, accountability, and emphasis on results – that will be reflected throughout the development and implementation of MCA programs. The MCA builds on development research that emphasizes the central role that a country's own policies and institutions play in its economic development and the need for strong country “ownership” of development objectives, policies and actions. As a result, the MCC will request that the country identify as part of the proposal its specific developmental goals as well as plans for continued policy reform and the strengthening of institutions critical to economic growth and poverty reduction. The MCA also recognizes that an effective MCA program will require measurable goals, accountability for results and effective financial oversight.

Consistent with the belief that effective development assistance requires a broad base of support in a country, MCC expects that MCA programs will be implemented by a variety of organizations, including government agencies, non-governmental organizations and private sector entities. Likewise, each proposal is expected to reflect the results of an open consultative process, integrating governmental interests with those of the private sector and civil society.

MCA Compacts

Funding for an MCA program will require the successful negotiation of a Compact between the applicant country and MCC. The level of specificity in a Compact will likely vary from country to country. Although in some instances the Compact itself may include detailed plans (e.g., financial, accounting, reporting, monitoring and evaluation, etc.) at the project and activity level, MCC expects that in many cases the Compact will reflect an agreement on the overall goals and strategy for program implementation, with project plans included in subsequent implementing agreements executed under the Compact framework. In any event, each proposal should include as much detail as possible about the specific goals and objectives of the proposed MCA program.

Proposals for MCA Assistance

MCC expects that the form and content of proposals for MCA assistance will vary depending on the nature and complexity of the proposed country program. Likewise, many of the details of a country program and the terms of a Compact will need to be developed over time and through discussions and negotiations between the MCC and the applicant country. Nonetheless, as illustrated more fully in the attached sample proposal we encourage countries to include as much of the following information as possible about the proposed program in their initial submissions:

- **Purpose/Objectives**
 - Summary of the proposal, including a description of your country's overall strategy for economic growth and poverty reduction, the key impediments to economic growth and poverty reduction in your country, and how your country intends to utilize MCA assistance to address those impediments
 - Specific goals to be achieved during the term of the proposed Compact, including identification of proposed priority areas and intended beneficiaries
 - Proposed duration of the Compact (not to exceed 5 years)

- **Justification**
 - Explanation of why your proposed program is a high priority for economic development and poverty reduction in your country and the most in need of support from MCA.
 - Explanation of why the program has a high likelihood of success, including a description of key opportunity and risk factors. If possible, describe how the program compares to other similar development initiatives, whether in your country or elsewhere

- **Consultative Process** - Description of the public/private consultative process used to develop the proposal

- **Implementation** - Description of the overall strategy for implementation of the program, including:
 - **Institutional Framework** - Description of the proposed institutional arrangements and responsibilities for program oversight, project/activity approvals, overall financial management, program monitoring/evaluation, and coordination with the MCC, including, where appropriate, the anticipated role of civil society and the private sector in implementation of the program
 - **Donor Coordination** - Description of other donor activity in the proposed priority areas and mechanisms for coordination with MCC activities

- **Policies** - Description of the policy, legal and regulatory actions and improvements that your government has identified as necessary to support the specific program objectives
 - **Projects** - Where appropriate, a description of illustrative projects that could be funded under the Compact and a process for solicitation, review and approval of proposals for implementing the program
 - **Cost and Financing** - Multi-year financial plan, including estimated contributions by MCC, your government and other third parties to the proposed program
 - **Monitoring and Accountability** – Description of a proposed monitoring plan (including quantitative indicators, where possible) for measuring the progress in achieving the goals of the Compact, a fiscal accountability plan, and a process for ensuring open, fair, and competitive procedures in grant awards and procurement of goods and services
- **Sustainability**: Your country’s strategy to sustain progress on the MCA program after expiration of the Compact
 - **Commitment to MCA Criteria** - Description of the steps your government is taking/will take to continue your country’s progress on overall performance on the MCA selection criteria

Proposal Review and Next Steps

The submission of a proposal by an eligible country does not guarantee that MCC will finalize a Compact with such country or fund the country’s proposed program. MCC will evaluate proposals and make investment decisions based on a variety of considerations, including how well the proposal has demonstrated the relationship between the proposed program and economic growth and poverty reduction. The quality of a country’s initial proposal, however, will determine how quickly the MCC can begin substantive discussions with the country and will likely influence the speed with which a Compact can be negotiated and the timing of any assistance approved by the MCC Board.

Following our review of an eligible country’s proposal, the MCC will contact the country’s designated representative to discuss next steps. Eligible countries should understand that the process between submission of a proposal and implementation of an MCA program will involve a number of steps and will likely vary from country-to-country. In some instances, for example, the next step may be for MCC to help the country identify appropriate technical assistance to further develop the proposal. In other instances, the initial proposal may be sufficiently well developed to form the basis for more detailed substantive discussions with MCC on program goals and budgets, financial and program accountability and other issues related to the proposed program. If and when MCC and an eligible country have reached a general agreement on the parameters of an MCA program in that country, we will be in a position to begin negotiating a final

Compact (which must be approved by the MCC Board) and preparing for program implementation.

If you have any questions about the development or submission of a proposal, please contact Sherri Kraham at (703) 875-7323 or compactguidance@mcc.gov.

Eligible countries may submit proposals in electronic form to Proposals@mcc.gov and in hard copy to:

**Millennium Challenge Corporation
Attn: MCA Program Proposals
1000 Wilson Blvd
Suite 1411
Arlington, Virginia 22209**

THESE GUIDELINES ARE PROVIDED FOR INFORMATION PURPOSES ONLY AND WILL LIKELY BE AMENDED AND/OR SUPPLEMENTED FROM TIME TO TIME BY MCC. NEITHER THESE GUIDELINES NOR THE SUBMISSION OF A PROPOSAL FOR MCA ASSISTANCE CREATES ANY RIGHTS IN FAVOR OF THE APPLICANT OR ANY OTHER PARTY.

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SAMPLE ELEMENTS OF A PROPOSAL FOR MILLENNIUM CHALLENGE ACCOUNT ASSISTANCE

Before a Millennium Challenge Account (MCA) country program and the related MCA Compact are finalized, the Millennium Challenge Corporation (MCC) and the applicant country must agree on the goals and strategy for overall program implementation. The MCA Compact, together with related program documents and implementing agreements executed under the Compact framework, will identify high-level goals as well as operating details (e.g., financial, accounting, reporting, monitoring and evaluation plans) at both the program level and the specific project and activity level.

MCC expects that the form and content of initial proposals will vary depending on a number of factors, including the nature and complexity of the proposed country program. Likewise, many of the details of an MCA program in a country will necessarily be developed over time and through discussions and negotiations between MCC and the applicant country. Nonetheless, applicant countries are encouraged to include as much information as possible about the proposed country program in their initial submissions. The following illustrates some of the elements that -- in addition to requisite legal terms (e.g., prohibition against taxation of MCA assistance) -- will ultimately be included in the Compact and related program documents and agreements and, as such, might be included in a proposal for MCA assistance:

1. **Purposes and Objectives:**

- a. **Summary of Proposal:** [Summary of the proposal, including key elements of the government's overall economic growth and poverty reduction strategy as well as the development program(s) for which MCA assistance is sought (the "Program"). This summary could also address key impediments to economic growth and poverty reduction in your country and describe how the government proposes to utilize MCA assistance to address those impediments]
- b. **Proposed Priority Areas:** [Description of the priority areas, by sector, that the you propose to be the focus of the Program (e.g., Education, Healthcare, Agriculture, Financial Sector Development, Privatization, Legal and Regulatory Reform, Judicial Reform, etc.). Note that the aforementioned list of sample priority areas is merely illustrative and should not be viewed as indicating any policy preference by MCC or limiting the types of priority areas that could be propose]
- c. **Proposed Goals:** [For each priority identified above, a description of: (i) specific goals you would expect to achieve in the priority area over the term of the proposed Compact; (ii) how these strategic goals are related to economic growth and poverty reduction in your country; and (iii) the intended beneficiaries of the Program, disaggregated, where possible, by income level, gender and age]

2. **Justification:** [Explanation of why the proposed Program is a high priority for economic development and poverty reduction in your country and why it is in need of support from MCC. This section could explain, for example, why the proposed Program has a high likelihood of success, including a description of key opportunity and risk factors. This section might also address, where possible, how the Program compares to other similar development initiatives, whether in your country or elsewhere]
3. **Consultative Process:** [Description of the public/private consultative process used to develop the proposal, including (i) how the proposal takes into account the local-level perspectives of your country's rural and urban poor, including women, and how your government consulted with private and voluntary organizations as well as your business community and (ii) a list of all senior government officials and key non-governmental officials, including organizational affiliation, who played a significant role in developing the proposal]
4. **Implementation:** [Description of the overall Program implementation strategy, including a description of the following specific elements of the implementation plan:]
 - a. **Institutional Framework:** [Description of the proposed institutional framework for overall Program implementation, including proposed responsibilities and roles of your government, MCC and other third parties in: (i) administering any project- and activity-level proposal solicitation, review and selection process; (ii) Program budgeting, accounting and control of funds and oversight of those processes; and (iii) managing the monitoring and evaluation processes for the Program. This section could also include, where relevant, a description of the anticipated role of civil society and the private sector in Program implementation]
 - b. **Donor Coordination:** [Description of the process for donor coordination in your country with respect to the priority areas and goals identified above, including: (i) the contributions of other donors who have provided development assistance to your country in the priority areas in recent years; (ii) how existing and past projects related to these priorities and goals have fared; and (iii) how the activities undertaken to achieve the Program goals would be coordinated with the assistance activities of other donors during the duration of the Program.]
 - c. **Policies:** [Description of any policy, legal and regulatory actions or improvements that your government intends to pursue in support of the Program priorities and goals (e.g., modernize government financial management systems; improve property law or tax code, etc.), including the type(s) of assistance you believe MCC can provide to you in these areas]
 - d. **Projects:** [Description of illustrative projects that could be implemented and funded as part of the Program under the Compact framework as well as a general

- description of initial proposed projects, if any have been identified. In this section you might also identify and describe, where relevant: (i) the process for ensuring open, fair, and competitive procedures in the consideration of any proposals (solicited and unsolicited) for implementing the Program or for the procurement of goods and services for the accomplishment of objectives under the Program; and (ii) how you envision the role of your government, MCC and other third parties in administering any proposal solicitation, review and selection process.
- e. **Cost and Financing:** [Description of a proposed multi-year financial plan, including, for example: (i) the basis and supporting documentation underlying your estimate of the costs to achieve the Program goals and target outcomes identified in the Program plan; (ii) the basis for any baseline budgetary data; (iii) the proposed contributions by MCC, your government and other third parties (e.g., other donors) in furtherance of the Program objectives; and (iv) an estimated annual draw-down rate over the life of the Program, reflecting anticipated implementation progress.]
- f. **Monitoring and Accountability:**
- i. **Fiscal Accountability Plan:** [Description of a proposed fiscal accountability plan for funds disbursed pursuant to the Compact, including, for example: funds control and documentation, separation of duties and internal controls, accounting standards and systems, ability to generate timely and meaningful reports, policies concerning public availability of all financial information, cash management practices, timely payment to vendors, procurement and contracting practices, and the role of independent auditors. Where appropriate, describe any plans to improve government financial management practices.]
- ii. **Monitoring and Evaluating Progress:** [Description of how Program performance and progress toward the Program goals will be evaluated, including, for example: (i) how achievement of the proposed goals can be measured; (ii) proposed intermediate outcomes and indicators that would be used to regularly assess progress toward achievement of the Program goals; (iii) available baseline data (or a plan for establishing the baseline) as well as proposed targets for Program goals and outcomes; and (iv) how you intend to manage the collection and validation of performance data. Where actual projects are proposed, this section could identify output measures and targets that contribute to achieving intermediate outcomes and Program goals. (See sample chart at [Appendix A](#), which contains hypothetical Program goals and target outcomes, by year, and indicator(s) that would be used to measure progress towards achieving each goal)]
5. **Sustainability Strategy:** [Description of your strategy to sustain progress made toward achieving the goals of the Program after expiration of the Compact]

6. **Commitment to MCA Criteria.** [Description of the steps your government is taking, and intends to take, to improve your country's overall performance on the MCA selection criteria identified in the "Report on the Criteria and Methodology for Determining the Eligibility of Candidate Countries for Millennium Challenge Account Assistance in FY 2004", which are published on the MCC website at http://www.mcc.gov/Documents/methodology_report.pdf]
7. **Other Factors for MCC Consideration:** [Discussion of any other factors or relevant supplementary materials or documentation that support the proposal, including, for example, studies, research, and evaluations of ongoing or past program plans.]
8. **Government Representative:** [Identification of the government representative(s) (include name, title, agency and contact information) who will be principally responsible for negotiating the Compact on behalf of your government]
9. **Transparency:** [Description of how you plan to make the Compact and the results of progress toward Program goals publicly available in your country]

APPENDIX A: Goals and Outcomes Chart

NOTE: Below is an illustrative example of a goals and outcomes chart. Please note that this chart is for illustration purposes only and is not a recommendation for an area of focus, or for the use of specific indicators:

Priority Area 1: Education

<u>Program Goal</u>	<u>Indicator</u>	<u>Baseline</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
The Program Goal stems directly from the major impediments to economic growth. EXAMPLES: Improve the skill level of the future labor force, OR Increase standard of living in rural areas, etc	Where appropriate, these could be sector-level indicators. EXAMPLES: Literacy rate among school-aged children, OR farmer income	X%				Y%
<u>Intermediate Outcomes</u>	<u>Indicator</u>	<u>Baseline</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Intermediate Outcomes are the likely result of a collection of individual projects/activities and their outputs. EXAMPLE: “Increase in the % school-aged children attending primary school”	EXAMPLE: Enrollment/Attendance rates	X%	X%	Y%	Z%	Etc.
The number of intermediate outcomes included in a Program proposal depends on the specific nature of the proposed sector. 2 nd EXAMPLE: “Increase in skill level of teachers”	EXAMPLE: Teacher Test Scores	X%	X%	Y%	Z%	Etc.

Where specific projects are proposed, consider including a chart linking outputs and activities to outcomes and goals:

<u>Intermediate Outcomes</u>	<u>Indicator</u>	<u>Baseline</u>	<u>T 1</u>	<u>T 2</u>	<u>T 3</u>	<u>T 4</u>
Each outcome should have one or more output indicators that contribute to its achievement. EXAMPLE: “Increase in skill level of teachers” should happen as a result of a teacher-training course.	EXAMPLE: Teacher Test Scores	X%				X%
<u>Outputs</u>	<u>Indicator</u>	<u>Baseline</u>	<u>T 1</u>	<u>T 2</u>	<u>T 3</u>	<u>T 4</u>
EXAMPLE: “Train teachers”	EXAMPLE: Percent of Teachers who have completed training course	X%	X%	Y%	Z%	Etc.

[Insert additional chart(s) for each priority area identified in Section 1]